

Committee on Ways and Means

Democratic Unemployment Plan Expensive, Poorly Targeted

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The Democratic plan would quickly drain the current Federal unemployment trust fund balances.

- The Democratic plan would cost \$18 billion in 2003. As of December 31, 2002, there was \$25 billion in the Federal unemployment trust funds.
- If passed now and extended later, the plan risks exhausting all Federal unemployment trust funds within a year.
- The only way to replenish Federal unemployment funds is to raise payroll taxes -- the last thing a struggling economy and job market needs.

The Democratic plan is so expensive because it is poorly targeted.

- The Democratic plan guarantees 26 weeks of Federal extended benefits in every State regardless of need. Combined with up to 26 weeks of State regular benefits, this equals a full year's worth of benefits.
- Extensions would apply in 21 States with unemployment rates now below 5%. Even workers in South Dakota, where the November 2002 unemployment rate was 2.7%, would get a full year of benefits.
- Various studies - including by the chief economist in Clinton's Department of Labor - show longer benefit receipt leads to more and longer unemployment.

In order to provide more benefits, the Democratic plan counts thousands of workers who already returned to work as "unemployed."

- The Democratic plan provides 7 more weeks of extended benefits (for a total of 33 weeks of extended benefits and 65 weeks overall) in certain "high unemployment" States.
- To provide more benefits, the Democratic plan includes a unique definition of "unemployment." It defines "unemployment" to include those who exhaust regular unemployment benefits *and have returned to work*. Studies suggest this number could be as high as 200,000 persons per quarter.